

Message Text

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ACTION NEA-10

INFO OCT-01 AF-10 ISO-00 XMB-02 EB-08 TRSE-00 OMB-01
COME-00 AID-05 SP-02 OPIC-03 CIAE-00 DODE-00
PM-05 H-01 INR-10 L-03 NSAE-00 NSC-05 PA-01
SS-15 ICA-11 DOE-15 SOE-02 AGRE-00 /110 W
-----033915 011714Z /47/41

R 311028Z JUL 78
FM AMEMBASSY KHARTOUM
TO SECSTATE WASHDC 8004
INFO AMEMBASSY ABU DHABI
AMEMBASSY JIDDA
AMEMBASSY KUWAIT

C O N F I D E N T I A L KHARTOUM 3450
C O R R E C T E D C O P Y (TEXT)
DEPT PASS EXIM

E.O. 11652: GDS
TAGS: EFIN, SU
SUBJECT: SAUDI ECONOMIC ASSISTANCE TO SUDAN

REF: (A) KHARTOUM 3201, (B) KHARTOUM 3008, (C) STATE 189630

1. SUMMARY. SAUDIS NOW APPARENTLY INTEND TO PROVIDE
ADDITIONAL BOP SUPPORT TO SUDAN BEYOND COMMITMENT OF CRUDE
REPORTED REF A. OFFICIAL BILATERAL DEBT HAS BEEN RESCHEDULED
AT CONCESSIONAL INTEREST RATE, PROVIDING \$50 MILLION IN RELIEF,
AND THE OUTLOOK FOR DIRECT FINANCIAL SUPPORT AMOUNTING TO
SEVERAL HUNDRED MILLION DOLLARS IS REPORTEDLY FAVORABLE. LARGE
SAMA LOANS ALSO EXPECTED TO BE RESCHEDULED. SAUDIS WILL
INCREASE PARTICIPATION IN KENANA SUGAR PROJECT AND WILL
CONSIDER SUDANESE REQUEST FOR MAJOR COMMITMENT TO PORT
SUAKIN DEVELOPMENT. END SUMMARY.

2. CHARGE AND ECONOFF MET 26 JULY WITH DEPUTY GOVERNOR
BANK OF SUDAN WHO WAS MEMBER OF DELEGATION WHICH HELD
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FINANCIAL DISCUSSIONS IN SAUDI ARABIA PREVIOUS WEEK. HE
REPORTED THAT SUBSTANTIAL PROGRESS WAS MADE IN SUDANESE
EFFORTS TO ELICIT GREATER BOP SUPPORT FROM THE SAUDIS.
ADDITIONAL MEETINGS WILL TAKE PLACE IN THE NEAR
FUTURE TO FINALIZE SOME OF THE COMMITMENTS ALREADY MADE
AND TO EXAMINE FURTHER SUDANESE REQUESTS. DELEGATION IS
NOW IN SAUDI ARABIA WORKING OUT DETAILS OF PETROLEUM OFFER.

3. AS OF 26 JULY, STATUS OF SAIDU SUPPORT WAS AS FOLLOWS:

A. 200 MILLION MT OF CRUDE ON LONG-TERM CREDIT, PER REF A.

B. RESCHEDULING OF INTEREST AND OVERDUE PAYMENTS ON OFFICIAL BILATERAL DEBT THROUGH DECEMBER 1980. REPAYMENTS BEGIN IN JANUARY 1981 WITH 5 PER CENT INTEREST. INTEREST RATE IS CONCESSIONAL SINCE AT LEAST A PORTION OF PRIOR LOANS WERE AS HIGH AS 1-1/2 PER CENT OVER LIBOR. BANK OF SUDAN ESTMATES THAT RESCHEDULING IS WORTH \$50 MILLION IN DEBT RELIEF.

C. INCREASED EQUITY PARTICIPATION IN KENANA SUGAR PROJECT. DETAILS TO BE DISCUSSED.

4. DISCUSSIONS WERE HELD ON THREE OTHER SUDANESE REQUESTS FOR ASSISTANCE. THESE INCLUDE:

A. DIRECT FINANCIAL SUPPORT - BANK OF SUDAN OFFICIALS BELIEVE THAT PROSPECTS FOR FINANCIAL ASSISTANCE TO PAY ADDITIONAL OUTSTANDING COMMERCIAL AND OFFICIAL NON-ARAB DEBTS ARE VERY GOOD. NIMEIRI, IN PRESENCE SAUDI AND SUDANESE FINMINISTERS, APPARENTLY OBTAINED KING KHALID'S APPROVAL FOR ASSISTANCE AMOUNTING TO SEVERAL HUNDRED MILLION DOLLARS. FINANCIAL DELEGATION PLANNING TO VISIT SAUDI ARABIA NEXT WEEK FOR FURTHER DISCUSSIONS.

B. SAMA DEBT - SAMA AUTHORITIES WILL CONSIDER REQUEST
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FOR RE-RESCHEDULING OF \$200 MILLION LOANS TO SUDAN DEVELOPMENT CORP (SDC). REPAYMENTS ON FIRST LOAN ARE FAR IN ARREARS. BANK OF SUDAN HAS PROPOSED APPLYING PAYMENTS UNDER SECOND LOAN TO FIRST, WHICH WOULD HAVE NET EFFECT OF REDUCING LENGTH OF PERIOD IN DEFAULT.

C. PORT SUAKIN - SUDANESE SHOPPING LOST INCLUDED REQUEST FOR MAJOR COMMITMENT TO PORT SUAKIN DEVELOPMENT. FRG HAS ALREADY PLEDGED SIZEABLE FUNDS TO THIS PROJECT, CONTINGENT UPON FINANCING THE BALANC. PORT SITUATION IN SUDAN WILL CONTINUE TO WORK AGAINST ATTEMPTS TO IMPROVE ECONOMIC DEVELOPMENT EFFORT AND DECISION TO PRESENT CASE TO SAUDIS INDICATED PRIORITY WHICH GOS ATTACHES TO PORT DEVELOPMENT. SAUDIS HAVE TAKEN REQUEST UNDER CONSIDERATION.

5. COMMENT. RESCHEDULING OF SAUDI DEBTS, TOGETHER WITH SIMILAR ACTION ON KUWAITI DEBT AND EXPECTATION THAT SAMA WILL ALSO RESCHEDULE, LEAVES SUDAN WITH CONSIDERABLY LIGHTER DEBT BURDEN IN THE NEXT COUPLE YEARS. PROSPECTS OF SUBSTANTIAL ADDITIONAL RESOURCE FLOWS FROM THE IMF AND OTHERS (REF B, PARAS 3-6) DURING THE SAME PERIOD, COMBINED WITH THE

SMALLER DEBT PAYMENTS, SUGGEST THAT BOP PICTURE SHOULD BE
SUBSTANTIALLY BRIGHTER THAN IN THE PAST TWO YEARS.
REMAINING KEY VARIABLE IS SAUDI FINANCIAL AID TO CLEAR UP
SUBSTANTIAL ACCUMULATION OF ARREARAGES. SHOULD THIS AID
MATERIALIZE, AS THE SUDANESE NOW EXPECT, ONE CAN
LOOK FOR A MAJOR IMPROVEMENT IN SUDANESE FOREIGN EXCHANGE,
BOP, AND INTERNATIONAL CREDIT POSITIONS. USG ACKNOWLEDGEMENT
OF THESE IMPROVEMENTS WOULD HOPEFULLY TAKE THE FORM OF A
RENEWED EXIM GUARANTEE PROGRAM HERE AND DIRECT LENDING.
EXIM CONDITIONS FOR REVIEW OF ITS POLICY VIS-A-VIS
THE SUDAN (REF C, PARA 3) WOULD BE FULFILLED BY SUCH
DEVELOPMENTS.
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